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It gives me great pleasure to join you here this afternoon to close this important gathering of business leaders and government representatives from the OIC. I would like to congratulate ASLI and its associate organisers, the Malaysia South-South Association, the Organisation of Islamic Conference and the Ministry of Foreign Affairs, Malaysia, for their efforts in organising this event for the second year running.

I personally view the convening of this Business Forum as most timely and appropriate. For far too long the Muslim world has been pre-occupied with issues of politics, security and statehood. In recent times, the events of September 11 have cast a long dark shadow on Islam. Muslims are now on the defensive. We find ourselves having to explain to the world that our religion does not condone senseless acts of violence against innocent peoples. We find leaders in the West explaining to their own public that Islam is a religion of peace, and yet the global media still label the misguided among us as **Islamic** terrorists and **Muslim** separatists.

Countries with majority Muslim populations are now viewed with suspicion. At worst, they are regarded as a hotbed for fanatical, irrational Islam, a haven for raising suicide bombers, a factory for producing weapons of mass destruction. At best, some Muslim countries are viewed as moderate and non-threatening, incapable of neither good governance nor sustained economic progress, but most of all, still too alien in value systems, in culture, and in the practice of democracy to be part of the modern world of Europe and North America.

There is no doubt that we have much to do to correct these common misperceptions of Islam. No matter how warped or misguided these views may be, the fact remains that **perception is reality** for the vast number of non-Muslims around the world. As business and political leaders of the Muslim world, I believe we have already started on this journey of **muhasabah** or critical self-evaluation of our weaknesses and shortcomings, both within our respective

economies, and in terms of finding more effective ways to collaborate with other like minded countries.

While the political agenda for the Muslim world is wide ranging and deserves urgent attention, as business leaders I would urge you to separate politics from business, and focus on the concrete measures that can help to advance the economic standing of Muslims. In this regard, I am happy to observe that the topics you have chosen to deliberate on over the last 2 days are indeed relevant and timely for the business communities of the Islamic world. Issues surrounding the future of global trade and investment trends, the opening of domestic markets under WTO negotiations, the need for collaboration between business and government in economic development, the deepening of Islamic capital markets, new sectors of growth and the importance of technology and communications, are all bread and butter issues that will determine future progress and prosperity of our respective countries.

Let us be reminded that the Muslim world still has a long way to go in terms of being fully engaged with the global economic system. The following statistics gives us a glimpse of the magnitude of the Muslim world's modernisation gap. While Muslims make up 20% of humanity (1.3 billion Muslims), we account for a mere 8.6% of the world's GDP and about 10% of global trade. Without oil exports, the Muslim world's share of output and trade would be much lower. In terms of income, out of the 1.3 billion Muslims, 941 million earn less than US\$10 a day, while a mere 30 million Muslims enjoy a per capita income of more than US\$10,000. Of the 57 Muslim majority countries, 28 are classified as having low human development measured by the levels of illiteracy, education, unemployment and health.

If the Muslim world has yet to fully engage with the developed world, we are worse at engaging with one another and with other developing countries. From the early 80's to the late 90's, OIC member countries saw an obvious declining pattern in their share of trade among developing countries. OIC members' share of developing country trade fell from 47% in 1980 to 22% in 2001. One reason for this decline has been the high concentration of trade with industrialized non-OIC countries. As an example, the major contributors to OIC intra-trade like Malaysia, Saudi Arabia, UAE, Turkey, Iran, and Indonesia have mostly industrialized non-OIC countries as their top three trading

partners.

The poor performance of intra-OIC trade is also well reflected in the pattern of FDI inflows into the OIC. Over the period of two decades from the late 70's till the late 90's, FDI inflows into the OIC was less than 25% of total FDI flowing into all developing countries. During the late 90s, we witnessed a declining trend of FDI flows into OIC countries, dropping to less than 10% of total developing country FDI. Along with this declining trend, FDI flows have also not been well distributed among OIC members, as nearly 90% of investments have been concentrated in middle income and oil exporting OIC members.

As Chair of the OIC, Malaysia has indicated that we are prepared to play our part in reversing these trends and to take the lead in energizing trade and services in the Muslim world. Trade should be seen in the context of enriching Muslims and deepening their economies. If we examine the **ratio of total trade to GDP** as a measure of openness of Muslim economies, we will realize that there is a direct correlation between the level of trade and GDP performance. If we compare lower income, lower middle income, higher middle income and higher income countries of the OIC, we will see that the ratio of total trade to GDP increases with each category, from 28% of GDP for lower income economies to 69% for higher income economies.

In the case of Malaysia, our own experience has shown that a combination of a liberalized trading regime and foreign investment friendly policies have contributed much to our high rate of economic growth in the 80s and 90s. Today, Malaysia is the 16th largest trading economy in the world with total trade at 184% of our GDP.

Our openness to trade and FDI has brought other critical and perhaps less obvious benefits. Malaysians working in foreign firms have benefited from a constant infusion of technical and managerial skills. Latest technologies and processes are transferred to local companies, which in turn enable them to become reliable, cost efficient partners to foreign firms. Competition from the unimpeded entry of foreign products and services have forced local companies to become more innovative, lower costs, raise productivity and in some cases, seek new niche markets outside of Malaysia. In short, trade and investment have played an important role in raising the productivity and skills of

Malaysians, and have enabled local companies to acquire technology, build competencies and compete successfully in world markets.

Just as we have gained much from opening our doors to trade and investments from abroad, Malaysia is now committed to enhancing the levels of trade and investments among OIC members. Many of you will be aware that Malaysia has actively partnered with a number of OIC members to harness their oil and gas reserves. We are grateful for the trust and confidence shown by host governments, and we remain committed to a commercially equitable and socially responsible approach to investing in this sector.

We are committed to diversifying these linkages with OIC members and have identified several new areas where we could begin to engage with one another. These include capacity building initiatives such as promoting common standards for Islamic financial instruments, halal certification and training of experts, to sectoral projects in agriculture modernization, infrastructure development and Islamic finance. To this end, I would urge the private sectors of all OIC members to seriously consider the opportunities for partnership and collaboration in these areas. The Malaysian government stands ready to provide the necessary assistance to facilitate more extensive and sustainable business linkages among companies from the OIC.

In order to spur greater intra-OIC trade and investment, we need to identify the challenges that stand in the way of enhanced trade and commerce between OIC members. Some of these challenges are obvious and can be easily overcome with smarter use of technology. Among them are the lack of timely and quality information on the resources, capabilities and opportunities in different sectors of member countries; the absence of harmonized trading and financial rules and regulations; underdeveloped transportation and communication links.

Other challenges and barriers to trade and investment will require more than just technology solutions. They will require a radical shift in thinking and attitudes. The competition for investment dollars is intensifying with the rise of new capital hungry economies of China and India in Asia, the former Eastern bloc countries of Europe, the ex-Central Asian Republics and the industrializing economies

of Mexico and Chile on the American continent. Our ability to offer valuable products and services will also be challenged by a number of lower cost and more abundant economies.

With these challenges in mind, it is crucial that OIC member countries begin to seriously identify the hidden barriers to trade and investments that make us unattractive trading partners and less than desirable investment destinations. Allow me to share with you the challenges we have identified in Malaysia, namely in terms of improving public services and further enhancing our human capital, and the steps we are taking in this regard.

Improving the public sector delivery system has become a key agenda for the Government to ensure better government services. We understand that excessive bureaucratic procedures lead to delays, contribute to higher costs of doing business and provide opportunities for corruption. If left unattended, Malaysia will become less attractive for investors, and the private sector will be less successful as the engine for growth. Greater adoption of technology is helping to overcome many of these weaknesses, but equally, government departments and agencies are re-looking at existing human processes and procedures, and designing new ways of delivering better services at lower costs to the tax payer.

Human capital development is another area that remains high on the Malaysian government's agenda. Apart from providing maximum opportunities for quality primary and secondary education, we are renewing our emphasis on producing enough graduate talent in science and technology, and reinforcing the use of English as a key to unlocking knowledge in critical disciplines. In addition, we are also focused on building a strong technical work force by encouraging more Malaysians to enter technical colleges, polytechnics, vocational skills training centres and community colleges. This commitment to human capital development will ensure that Malaysia has the necessary skills and talent to compete in an increasingly competitive global environment and remains attractive to our investment and trading partners.

Let me conclude my remarks by urging all of us to focus not only on the problems of the Muslims, but also in finding appropriate solutions to them. We share many common

challenges and shortcomings, but through meetings such as this one today, we also have the opportunity to chart a path forward by learning from each other's mistakes and successes.

Looking inwards, the Muslim world's first priority is better governance, for this is the surest way to bring about lasting peace, prosperity and progress to our people. Ultimately, our legitimacy and authority as business and government leaders comes from the trust, support and confidence placed upon us by the people whom we lead. In this regard, we must seek ideas and learn from best practices from all corners of the world, irrespective of religion, race or culture, and translate these into programmes and initiatives that provide tangible, sustained and meaningful benefits to our people.

But the Muslim world can and should also find great inspiration and guidance from Islam and its own best practices. If only we rediscover the wisdom that is in Islam, we will find that it is thoroughly applicable to modern needs. As Muslims, we are moved to great action and great deeds through our consciousness of what Islam demands of us. It is therefore of critical importance that we continue to encourage reform (islah) and renewal (tajdid) in Islamic thought, and to ensure that Islam remains consistent with the demands of modernity and progress in all fields.

The time has come to rise above our differences and build on our collective aspiration and common goals. Together, I believe we can give our people dignity and economic development that they deserve. I do hope and pray that your participation at this forum has enabled us to take a small but important step in this direction and strengthened your resolve to act in the best interest of the ummah. I wish you great success in this honourable endeavour.

Thank you and Wassalam.

Office of the Deputy Prime Minister of Malaysia